



HOUSE OF REPRESENTATIVES

HB 2666

governor's economic opportunity office; consolidation

Prime Sponsor: Representative Fann, LD 1

DPA Committee on Commerce
W/D Committee on Appropriations
DPA Caucus and COW
X House Engrossed

OVERVIEW

HB 2666 establishes the Office of Economic Opportunity (OEO). Modifies existing agency programs, policies and funds for OEO to monitor Arizona's tax structure, assess monetary incentives and serve as the workforce, employment, economic development, data and labor market information office.

PROVISIONS

Office of Economic Opportunity (OEO)

1. Creates OEO, whose director is appointed by the Governor, confirmed by the Senate and responsible for the agency's operation and control.
2. Asserts the Legislature's establishment of OEO to encourage economic growth and development and promote prosperity by developing and protecting Arizona business, industry and commerce.
3. Directs OEO to administer the *Operations Fund*, which consists of various securities and filing fees. Monies in the fund are continuously appropriated.
4. Creates an *Economic Development Fund* administered by OEO, which consists of monies received from the *Arizona Industrial Development Authority* (IDA) and the *Arizona Finance Authority* (AFA). Transfers any unencumbered monies in excess of operating costs from the IDA to this fund at the end of each fiscal year.
5. Outlines OEO powers and duties that include:
 - a. Monitoring the tax structure in comparison to other states and municipalities, assessing the incentive programs and supporting the *Arizona Commerce Authority* (ACA) in administering the incentives.
 - b. Implementing a data collection and analysis process to benchmark Arizona's regulatory costs to do business as well as the state's competitive position in relation to other states.
 - c. Serving as the state's workforce planning coordinator, staffing the *Workforce Arizona Council*, providing population, employment and UI estimates and labor market information to develop the state workforce strategy.
 - d. Supporting the AFA and its director to incorporate finance marketing intelligence in economic development and policy recommendations.
 - e. Developing pertinent data, analysis and support for the ACA, the *Arizona-Mexico Commission* and the *Office of Tourism* in their state marketing strategies.
 - f. Contracting and incurring obligations reasonably necessary to perform its duties.

- g. Using monies or services to provide matching contributions under federal or other lawful programs, accepting gifts, grants and matching monies from public or private persons or enterprises to conduct programs consistent with OEO's general objectives.
 - h. Providing staff support to a newly established IDA.
6. Terminates OEO on July 1, 2023 and repeals the related statutes on January 1, 2024, if there are no outstanding contractual obligations or debts, or the agency must have otherwise provided for payments. If not, the agency continues until all debt obligations are fully paid or satisfied.

Arizona Commerce Authority

7. Authorizes the income tax credit for a qualified facility in a rural location if employees are paid at least 100% of the median annual wage for production occupations in Arizona (*currently 125% for other qualified facilities*).
8. Requires the employer to pay at least 65% of the cost of employee health insurance (*currently 80% requirement*).
9. Redefines *qualifying investment* to include a third party developer's costs associated with a leased build-to-suit facility.
10. Defines *rural location* as one within a city/town with a population of less than 50,000 people or within a county of less than 800,000 people.
11. For FY 2017, directs the ACA to work with local counties and municipalities (located in counties with less than 2,000,000 people) to evaluate federal economic development grant opportunities for rural and small businesses.

Arizona Finance Authority

12. Creates the AFA in GEOO and requires the Governor to appoint a Director.
13. Establishes the *Operations Fund* and requires monies to be continuously appropriated. Consists of monies, pledges and property through appropriations, loans or gifts.
14. Holds the state harmless for any obligation incurred by the AFA and exempts the AFA and its income from all state taxes.
15. Stipulates all costs and expenses will be paid from bond proceeds issued by an IDA or other monies of the AFA.
16. At the end of each fiscal year, transfers all unencumbered monies in the fund in excess of the operating costs to the *Economic Development Fund*.

AFA – Board Members, Meetings and Duties

17. Creates a five-member Board appointed by the Governor to three-year terms, with geographically diverse representation.
18. Requires Board rules to provide for annual meetings and special meetings as necessary. Audioconference or videoconference meetings are permissible, but votes must be by roll call.
19. Permits members to be reimbursed for necessary expenses in performing their duties.
20. Prohibits members from having any direct or indirect personal financial interest in a project financed by the AFA.

21. Requires the AFA Board to establish an IDA and serve as its Board as well as the Board of GADA and WIFA.
22. Directs the AFA Board to approve the AFA budget.
23. Requires the AFA to establish a 7-member *Water and Infrastructure Finance Authority Advisory Board*, which terminates July 1, 2024.

AFA – Powers and Duties

24. Outlines the AFA powers and duties, including the ability to:
 - a. Apply for, accept and administer grants of monies, materials or property from a federal agency or others.
 - b. Acquire title to real property or other assets through gifts, grants or purchase.
 - c. Employ or contract with various experts and decide their compensation.
 - d. Decide the AFA Director's salary, compensation and other employee-related expenses.
 - e. Sue and be sued, acquire office and meeting space, equipment and other necessary services and supplies.
 - f. Contract, act as guarantor or coinsure with federal, state or local governmental authorities, organizations or corporations in connection with AFA activities.
 - g. Adopt bylaws and related administrative rules to carry out the functions of the agency.
 - h. Inspect any AFA-financed facility and examine pertinent records.

AFA – Allocation of Private Activity Bonding Authority

25. Changes the Arizona Commerce Authority (ACA) to the AFA for purposes of bonding authority.
26. Modifies dates and bond allocation percentages of the state ceiling to projects as follows:
 - a. 30% at the sole discretion of the CEO (currently 10%).
 - b. 15% to qualified residential rental projects (currently 10%). Eliminates the requirement for the residential rental project allocation to use 30% of its set-aside for rural projects.
 - c. 5% to qualified student loan projects (currently 20%).
 - d. 5% to manufacturing projects (currently 15%).
27. Changes the expiration date for confirmations to April 1 rather than June 30.
28. Stipulates that AFA Board's authority to establish certain expiration dates by Rule.

Workforce Arizona Council

29. Replaces the *Governor's Council on Workforce Policy* with the *Workforce Arizona Council*.
30. Establishes the Council by executive order of the Governor to develop, implement and modify the workforce plan, review state policies and programs and make recommendations to the Governor as outlined.
31. Requires the Council to develop allocation formulas to distribute monies for employment and training activities for adults and youth workforce activities.
32. Details the information and data that must be gathered, including the levels of performance, number of individuals served, barriers to employment, and average cost per participant.

Workforce Data Task Force

33. Establishes a five-member *Workforce Data Task Force* within OEO to oversee workforce system evaluation data sharing.

34. Details the duties to oversee, develop, maintain and regularly review the methodologies used for data collection, retention, distribution and storage.
35. Specifies that a report is due by November 1, 2016 to the Governor, Legislature and the Secretary of State.
36. Sunsets the Task Force on July 1, 2024.

Department of Economic Security (DES) – Unemployment Insurance

37. Authorizes DES or OEO to release UI information to:
 - a. Any federal, state or local governmental entity investigating fraud in public programs or the misuse of public monies.
 - b. Internal divisions within DES, the Department of Education (ADE), the Arizona Board of Regents, the universities, community colleges, federal and state agencies to evaluate program performance and for other research or lawful disclosure requirements.
38. Outlines requirements for information release, including confirmation of confidentiality.
39. States that all pertinent parties, including the *Workforce Data Task Force*, will establish a rate schedule that complies with federal law for the cost of processing requests for disclosure of UI information.
40. Assesses a class 3 misdemeanor for knowingly disclosing confidential UI information without prior written authorization from either DES or OEO.
41. Requires any security breach or unauthorized disclosure of confidential information to be reported immediately to both DES and OEO.

Repeals

42. Delays the repeal of the *Arizona Housing Finance Authority* (AzHFA) until January 1, 2017.
43. Repeals the sunset dates and related statutes for the *Arizona Health Facilities Authority* (AHFA), the *Arizona International Development Authority*.
44. Delays the repeal of the renewable energy tax credit program until January 1, 2021.

Miscellaneous

45. Incorporates the *ADOA Office of Employment and Population Statistics* into OEO and conforms the language throughout the various statutes.
46. At the end of each fiscal year, asserts that the IDA must transfer all unencumbered monies in excess of the operating costs to the Economic Development Fund.
47. Continues the *Arizona Competes Fund* until July 1, 2018.
48. Beginning July 1, 2017, allocates 30% of the *Arizona Competes Fund* monies to programs for rural and small businesses if all requirements are met.
49. Reserves at least 25% of the appropriated fund monies for businesses located in a county with less than 2,000,000 people. Requires the CEO of the Arizona Competes Fund to give priority to a county that shares a border with Mexico or to a military facility. Nine months after the end of the fiscal year, awards unreserved monies to any county.
50. By October 1, 2016, requires DES to enter into a memorandum of understanding (MOU) with OEO to evaluate workforce and education programs, develop labor market information and recognize OEO as Arizona's designated office for UI data information.

51. Submits to OEO for record retention purposes, all workforce evaluation system research products. All research products without personally identifiable information will be made available to the public, and the Secretary of State must maintain the information long term.
52. Directs all pertinent entities (DES, ADE, OEO) to notify applicants for employment and participants in the *Workforce Innovation and Opportunity Act Programs* that data may be used to evaluate program effectiveness and to conduct labor market research.
53. Stipulates that *research products* include the statistical analysis and reports that are produced by state entities using UI information.
54. Requires the taxpayer to notify the Department of Revenue of any FTE positions that were vacant more than 150 days and reduce the credits claimed by \$4,000 for each unfilled FTE position.
55. Appropriates one FTE position that supports the *Arizona Housing Finance Authority* from the *Department of Housing* in FY 2016 and FY 2017 to the *Arizona Industrial Development Authority*.
56. On the effective date of this legislation, transfers a prorated sum of \$568,700, plus any related appropriation in FY 2017, from the GF operating lump sum appropriation for ADOA to OEO. Exempts the monies from lapsing.
57. Preserves the rulemaking authority of DES and the ACA with regard to the Act until OEO adopts administrative rules. Exempts OEO and the AFA from rulemaking requirements for one year after the effective date of this legislation.
58. Transfers all unexpended and unencumbered monies remaining in the *Arizona International Development Authority Fund*, and other monies or bank accounts associated with the *Arizona Health Facilities Authority*, the *Arizona Housing Finance Authority* and the *International Transportation and Port Infrastructure Development* to the IDA.
59. Stipulates that the IDA succeeds to the authority, powers, duties and responsibilities of the *Arizona Health Facilities Authority*, the *Arizona Housing Finance Authority*, and the *Arizona International Development Authority*, including the transfer of FTEs and personnel to comparable positions and pay within the IDA.
60. States that all obligations and actions taken before the effective date of this legislation remain in force and that certificates, licenses, registrations, permits and other qualifications and authority remain valid for the duration of their terms.
61. Requires the Director of ADOA to determine and allocate transfers consistent with the requirements of this legislation.
62. Makes technical and conforming changes.

CURRENT LAW

The [Arizona Commerce Authority](#) (ACA) is the state's economic development organization, with a mission to grow and strengthen the economy. The ACA uses the following model to advance the economy: recruit, grow, create – “*recruit* out-of-state companies to expand their operations in Arizona; work with existing companies to *grow* their business in Arizona and beyond; and partner with entrepreneurs and companies large and small to *create* new jobs and businesses in targeted industries.” A board of directors consisting of public and private sector business, professional and elected policy leaders provides direction to the ACA. The financial entity through which the ACA administers grants is the [Arizona Competes Fund](#) (ACF). [A.R.S. § 41-1545.02](#) permits the ACF to award grants to attract, expand or retain businesses in Arizona. Preference must be given to job training and infrastructure activities that create private sector jobs. Further, the statutes authorize projects that support and advance rural and small businesses and economic development. Applicants must be in good standing on all necessary licenses and taxes, qualify as an Arizona basic industry, pay compensation that exceeds the median county wage and pay at least 65% of the employees' premium for health insurance. Additionally, applicants prove through third party verification that estimated income, property and TPT plus government fee revenues will exceed the state incentives. Before awarding grants, the ACA details the benefits, including the direct economic impact of the grants. [A.R.S. § 41-1545.04](#) requires an annual report outlining the ACF's activities, including a summary of the direct jobs and economic impact of the awards.